

DIRECT TESTIMONY

of

PETER LAZARE

Senior Economic Analyst
Rates Department
Financial Analysis Division
Illinois Commerce Commission

Commonwealth Edison Company

Proposed Demand Response Rider

Docket No. 07-0540

December 14, 2007

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Introduction

Q. Please state your name and business address.

A. My name is Peter Lazare. My business address is 527 East Capitol Avenue,
Springfield, Illinois 62701.

Q. What is your present position?

A. I am a Senior Rate Analyst with the Illinois Commerce Commission
("Commission"). I work in the Financial Analysis Division on rate design and
cost-of-service issues.

Q. What is your experience in the regulatory field?

A. My experience includes fifteen years of employment at the Commission where I
have provided testimony and performed related ratemaking tasks. My testimony
has addressed cost-of-service, rate design, load forecasting and demand-side
management issues that concern both electric and gas utilities.

Previously, I served as a Research Associate with the Tellus Institute, an energy
and environmental consulting firm in Boston, Massachusetts. I also spent two
years with the Minnesota Department of Public Service as a Senior Rate Analyst,
addressing rate design issues and evaluating utility-sponsored energy
conservation programs.

24 **Q. Please discuss your educational background.**

25 A. I received a B.A. in Economics and History from the University of Wisconsin and
26 an M.A. in Economics from the University of Illinois at Springfield in 1996.

27

28 **Q. What is the subject of your testimony in this proceeding?**

29 A. I discuss the method by which Commonwealth Edison Company ("ComEd" or the
30 "Company") proposes to recover the costs of its energy efficiency and demand
31 response ("EE-DR") programs from ratepayers.

32

33 **Q. Please describe ComEd's proposed recovery mechanism for these costs.**

34 A. ComEd proposes to implement a cost tracking rider, which it terms Rider EDA,
35 for these costs. The acronym EDA stands for Energy Efficiency and Demand
36 Response Adjustment. (ComEd Ex. 5.0, p. 1, line 136)

37

38 **Q. How are costs to be recovered under Rider EDA?**

39 A. The Company proposes to implement a single per-kWh charge to be recovered
40 from all retail customers for the costs associated with the EE-DR programs . The
41 calculation of the charge will begin by taking the difference between program
42 cost projections and any expected sources of revenues. That figure will then be
43 divided by forecasted energy deliveries to obtain the per-kWh charge. (ComEd
44 Ex. 5.0, p. 7, lines 146-150)

45

46 **Q. What aspects of the proposed rider will you discuss?**

47 A. I focus solely on the design of the charges to be recovered from ratepayers. My
48 testimony does not address in any manner the level of costs to be collected or
49 the kinds of costs appropriate for recovery under Rider EDA.

50

51 **Q. What do you conclude about the proposal to recover these costs through a**
52 **uniform per-kWh charge?**

53 A. I consider this a reasonable recovery method.

54

55 **Q. Please explain.**

56 A. The recovery method is reasonable because these are usage-related costs that
57 confer benefits on all ComEd customers.

58

59 **Q. Why are these costs primarily related to usage?**

60 A. The goals of the program are divided into two components, usage and demand.
61 The specific usage objectives are to reduce: "(1) 0.2% of energy delivered in the
62 year commencing June 1, 2008; (2) 0.4% of energy delivered in the year
63 commencing June 1, 2009; [and] (3) 0.6% of energy delivered in the year
64 commencing June 1, 2010..." (ComEd Ex. 2.0, p. 3, lines 63-65) In terms of
65 demand, ComEd is required to "reduce peak demand by 0.1% over the prior year
66 for eligible customers". (ComEd Ex. 2.0, p. 3, lines 66-68)

67

68 The above objectives indicate that usage reduction is a higher priority for the
69 program than demand reduction. In the first year, usage is expected to be

70 reduced by 0.2% compared with 0.1% for demand. By the third year, usage
71 reduction climbs to 0.6% while demand reduction remains at 0.1%.

72
73 Clearly, usage reduction is the highest priority for the program and it would be
74 reasonable to conclude that the programs are primarily usage-related.

75
76 **Q. What does this conclusion indicate about the recovery mechanism for**
77 **these costs?**

78 A. Since the program serves primarily to effect usage reductions, the attendant
79 costs are most appropriately recovered on a per-kWh usage basis as the
80 Company proposes.

81
82 **Q. What is the second issue concerning the Company's proposed charge?**

83 A. The issue concerns whether the per-kWh charges should be uniform for all
84 ratepayers as ComEd proposes.

85
86 **Q. Do you agree with the Company's proposal to institute a uniform charge for**
87 **all ratepayers?**

88 A. Yes, I do, based on three factors.

89
90 **Q. What is the first factor?**

91 A. The proposed expenditures on the programs appear to be well-distributed among
92 customer groups. For example, ComEd expects to directly spend a total of \$165

million on the programs over the years 2008-2010 (ComEd Ex. 2.0, p. 31) Of that total, more than half (\$84.2 million) will be spent on programs for commercial and industrial customers. In addition, DCEO is expected to spend \$60.1 million over that time, with \$39.3 million directed toward the public sector. (ComEd Ex. 2.0, p. 31)

While a uniform per-kWh charge will not ensure that charges will match costs for all customer groups, it recognizes, in a reasonable manner, that expenditures are being made for all major customer groups.

Q. What is the second factor supporting a uniform charge?

A. The proposed programs will generate consumer benefits for all of ComEd's retail customers. To the extent the programs curbs ratepayer usage levels, that will exert downward pressure on electricity prices in the Northern Illinois market by reducing demand. Since this is a common benefit for all electricity consumers, it would make sense to recover associated program costs on an equal basis across all electricity usage by ComEd customers.

Q. What is the third factor supporting a uniform charge?

A. That factor is the environmental benefit ratepayers will receive from usage reductions resulting from ComEd's programs. The significant adverse environmental impacts associated with electricity production have been well documented. One such issue concerns the contribution of fossil fuel consumption

to Global Warming. The US Environmental Protection Agency describes the problem as follows:

Greenhouse gases are necessary to life as we know it, because they keep the planet's surface warmer than it otherwise would be. But, as the concentrations of these gases continue to increase in the atmosphere, the Earth's temperature is climbing above past levels. According to NOAA and NASA data, the Earth's average surface temperature has increased by about 1.2 to 1.4°F in the last 100 years. Eleven of the last twelve years rank among the 12 warmest years on record (since 1850), with the warmest two years being 1998 and 2005. Most of the warming in recent decades is very likely the result of human activities. Other aspects of the climate are also changing such as rainfall patterns, snow and ice cover, and sea level. (<http://www.epa.gov/climatechange/basicinfo.html>, viewed December 5, 2007)

To the extent that usage reductions under ComEd's programs lower the production of electricity by plants using fossil fuels, that will help address the issue of Global Warming and thereby benefit ComEd ratepayers as a whole. Since this program benefit pertains to usage by all ComEd ratepayers, it provides support for collecting program costs through a uniform usage charge for all ComEd ratepayers.

Q. Does this complete your direct testimony?

A. Yes, it does.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company)
)
Petition for Approval of the Energy)
Efficiency and Demand Response Plan)
pursuant to Section 12-103(f) of the)
Public Utilities Act.))

Docket No. 07-0540

AFFIDAVIT OF PETER LAZARE

State of Illinois)
)
County of Sangamon)

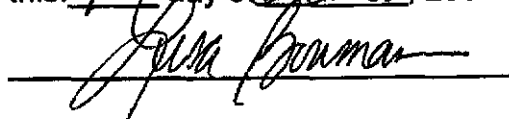
I, Peter Lazare, being first duly sworn on oath, depose and state that I am the same Peter Lazare identified in the Direct Testimony; that I have caused the following Direct Testimony; the following statements are true and correct to the best of my knowledge and belief as of the date of this Affidavit.

Further affiant sayeth naught.


Peter Lazare

Subscribed and sworn to before me

this 14th day of December, 2007


Notary Public

